Agriculture and Agri-Food Canada | Agriculture et Agroalimentaire Canada

Canada

Turkey
Agri-Food Country Profile

Statistical Overview

July 2001

Forward

This information piece is provided to update the statistical information of existing documents on Turkey. Due to recent economic developments an update was deemed necessary.

Background

Turkey boasts a young population, a dynamic private sector, regional connections, and a rapidly developing infrastructure. Historically, Turkey has been a strategic intersection between Europe, Asia and the Middle East, allowing trade to flourish. This still holds true today. Turkey is referred to as one of the world's ten most important "Big Emerging Markets."

Demographics	
Total Population	65.6 million
Growth Rate	1.5 %
Age Breakdown	
0-14 years	29%
15-64 years	65%
65 years and over	6%
Life Expectancy	
Total	70.97 years
Male	68.63 years
Female	73.41 years

Geography

Turkey covers all of Asia Minor and a small part of Eastern Europe. Turkey has land borders with Bulgaria, Greece, Syria, Iraq, Iran, Georgia, Armenia, and Nahcivan. Turkey is strategically located with strong connections to Middle East markets and control of the Turkish Straits that link the Black and Aegean Seas.

Main Cities	
Istanbul	13 million
Ankara	5 million
Izmir	3.5 million
Adana	3 million

Turkey has a total land area of 770,760 sq km. Ankara is the capital city and a commercially important metropolis. The largest and most important trade city is Istanbul with a population of 13 million.

The climate is temperate with hot and dry summers and mild wet winters. The Turkish interior experiences harsher weather conditions with hotter summers and cooler winters.

Natural resources include antimony, coal, chromium, mercury, copper, borate, sulfur, iron ore, arable land, and hydro-power.

Agriculture

Turkey has an export oriented agricultural sector and is largely self-sufficient. Of the available land 32% is considered arable, 4% is occupied by permanent crops, and 16% is used for permanent pastures.

Historically the agriculture sector has been the largest employer and contributor to the Turkish economy. However, as Turkey has diversified economically agriculture has declined in importance. This is a result of rapid industry and service sector growth. The agriculture sector employed 45% of the population and contributed to 18% of the GDP in 2000.

Crops constitute 55% of the agricultural sector, livestock represents 34% and the remainder is split between forestry and aqua-culture. Cereals and grains account for the most agricultural acreage. Key agricultural crops include wheat, pulses, cotton, citrus, tobacco and sugar beets.

Exports of agricultural commodities accounted for 8.3% of Turkey's total export earnings in 1999 and were valued at $2.2 billion. Turkish exports of agri-food products totaled US$3.9 billion in 1999. Turkey continues to diversify their agri-food exports through the development of processing technologies.

Economy

Turkey has a dynamic economy with a mix of traditional village agriculture and modern industry and commerce. The private sector is strong and expanding rapidly however the state still plays a principle role in industry, banking, transport and the communication sector.

The economy has recently been experiencing erratic growth and imbalances. The GDP for 2001 is estimated at US$204.7 billion and the GDP per capita at US$3,070. Turkey reported a GDP growth rate of -5% for 2000 due to national economic difficulties. In addition Turkey's unemployment rose to 8.3% in 2000 from 7.3% in 1999.

Turkey's energy sector is experiencing rapid growth due to the high demand from the expanding private sector. The Turkish government plans to invest US$4 billion annually to increase its current installed power generation capacity through 2020. Additional principle growth sectors in Turkey's economy are energy, telecommunications, the environment, Information Technology, and textiles.

The Turkish economy was recently shaken due to a national economic crisis. However through government reforms and international aid Turkey is expected to emerge from the crisis with control over traditionally high inflation and interest rates.

101-07272/

Economic Indicators	
GDP	US$204.7 billion
GPD Growth	-5%, -4%% (2001)
GDP per capita	US$3,070
GPD by Sector	
Agriculture	18%
Industry	29%
Services	53%

The Turkish economic crisis began due to a decision to abandon exchange rate controls and float the Turkish currency. The Lira lost 40% of its value within the first quarter of 2001. Political disagreements between Turkey's Prime Minister and President disrupted the already weak banking sector and escalated the crisis. Interest rates reached 100% and the public debt may reach 80% of the GDP by the end of 2001. Inflation rose to triple digits in January 2001but, fell rapidly to rest at 57% by the end of the first quarter.

Labour Force	
Total	23.8 million
Unemployment Rate	8.3 %
By Sector	
Agriculture	45.8 %
Industry	20.5 %
Services	33.7 %

Despite predictions of no immediate improvement in mid-2001 the worst of the Turkish economic crisis is over. Analysts indicate that political stability is essential to overcoming the crisis. All political parties involved have indicated that the coalition government will remain intact and in power. The Turkish government has initiated a long term recovery plan to raise Turkey's economy from the crisis smoothly and ensure success.

The government has taken decisive action beginning with a 9% reduction in state spending and a freeze on public hiring and salary raises for the public sector. The government has begun the process of privatizing the banking sector with hopes of recovery. As a result of the many positive government reforms inflation is expected to continue to fall to 16.6% for 2002.

In addition to government reforms an economic program has been designed and will be facilitated by Turkey's third IMF agreement in 18 months. The most recent agreement includes a US$8 billion loan from IMF and a US$2 billion loan from the World Bank. The IMF and the World Bank have produced favorable forecasts for Turkey's economy provided both lending agreements are upheld.

For more information of Turkey's economy Turkey: At a Glance.

Trade Agreements

Turkey's primary political, economic, and security ties are with Europe. During the last several years, Turkey has continued to expand its relations with western Europe. Turkey has rejoined the Council of Europe after an absence of several years and is considering full membership in the EU.

Turkey and the EU formed a customs union beginning January 1, 1996. The agreement covers industrial and processed agricultural goods. Turkey has harmonized its laws and regulations with EU standards. Turkey adopted the EU's Common External Tariff regime, effectively lowering Turkey's tariffs for third parties, including Canada.

Turkey signed a free trade agreement with the European Free Trade Association (EFTA) in 1991. Turkey has also negotiated free trade agreements with several central European countries. In 1992 Turkey and 10 other regional nations formed the Black Sea Economic Cooperation Council to expand regional trade and economic cooperation.

Turkey serves an important role as a member of NATO due to the Turkish control of the straits leading from the Black Sea to the Mediterranean. The city of Izmir in Turkey is home to two NATO headquarters.

Besides its relationships with NATO and the European Union (EU), Turkey is a member of the OECD and the Council of Europe. Turkey is also a member of the UN and the Islamic Conference Organization (OIC).

Turkey plays an important role as a link for many trading nations into the Middle East. Cultural ties contribute to trade relations between the Middle East and Turkey. The Turkish government and businesses have also developed links with Central Asian states stemming from close proximity, linguistic and ethnic ties.

The Turkish government has indicated that it would like to further establish joint ventures between Turkish and foreign companies in the hopes of gaining access to additional emerging Middle Eastern and Central Asian markets.

Competition

Turkey is a free market economy with a large import sector. Turkey's total imports for 2000 were US$53.5 billion, an increase from US$39.2 billion in 1999. Turkey's key imports are mineral fuels and lubricants 16.3%, non-electrical machinery 16.1%, crude oil 10.4%, iron and steel 10.2% and electrical machinery 7.8%. Turkey's principle import sources are Germany 14.5%, Italy 7.8%, France 7.7%, United States 5.8% and Russia 7.6%.

Turkey's total exports for 2000 were US$ 53.5 billion, an increase from US$26.2 billion in 1999. Turkey's key exports are knitted fabrics 22.7%, iron and steel 11.1%, fruits and vegetables 8%, machinery 7.1% and ceramics 6%. Turkey's principle export sources are Germany 20.6%, United States 19.2%, United Kingdom 6.9%, Italy 6.3% and France 5.9%.

European companies and products are the most active in Turkey's agri-food import sector. Due to a customs union European goods enter Turkey virtually free of customs duties and as a result are often sold at lower prices comparatively. Turkey's total agri-food imports were $4.3 billion for 1998. Key agricultural imports were vegetable oils, wheat, tobacco, and sunflower seeds.

Canada is in direct competition with many nations for a share of the Turkish agri-food import market. Turkey's largest agricultural import item is vegetable oils, and is sourced primarily from Malaysia. Wheat and furskins, both traditional Canadian export products are exported to Turkey by Australia. The USA commonly supplies Turkey with tobacco limiting Canadian exporters percentage of the tobacco import market.

Canada -Turkey Trade and Investment

During the period 1991 to 2000, Canada's bilateral trade with Turkey increased more than three-fold. Turkey is Canada's 38th largest export market and 44th largest import market.

Total Canadian exports to Turkey for 2000 were $259 million a significant increase from $215 million in 1999. Top Canadian exports to Turkey are pulses, coal, machinery, and wheat.

Total Turkish exports to Canada for 2000 were $293 million an increase from $251 million in 1999. Key Turkish exports to Canada are iron, steel, garments, and ceramic tile.

Agri-food dominates Canada's overall exports to Turkey representing almost 25% of total exports.

Canadian agri-food exports to Turkey rose from $56.7 million in 1999 to $79.1 million in 2000. Canada's largest agri-food export to Turkey in 2000 was dried lentils representing 74.3% of total agri-food exports. Pulses have become a central Canadian export to Turkey constituting about 82% of total agri-food exports. Other key Canadian agri-food exports to Turkey were wheat 8.4%, dried beans 3.3%, dried chickpeas 2.8% and eggs 2.5%. The top five Canadian agricultural exports to Turkey represented 91.3% of total agri-food exports.

Turkish agri-food exports to Canada declined from $35.3 million in 1999 to $30.6 million in 2000. Turkey's largest agri-food export to Canada in 2000 was dried apricots representing 19.5% of total agri-food exports. Other key Turkish agri-food exports to Canada were grapes 19.3%, hazelnuts 12.9%, fresh and dried figs 6.1%, and plants for pharmaceutical use 4.2%. The top five Turkish agri-food exports to Canada represented 62 % of total agri-food exports.

Grains are an important export opportunity for Canadian firms. Turkey is an irregular importer of grains. Local millers look to import wheat in times of domestic decline. Droughts are common in Turkey and often result in the need for increased agricultural imports. In addition, local malt producers import low protein barley when local production is less than anticipated. Turkey has also experienced a decline in red and green lentil production in recent years. Canada has been the major supplier of lentils to Turkey since 1996 to meet domestic shortages.

Other agricultural products with export potential to Turkish markets are seed potatoes, dried peas, kidney beans, chick peas, canary seed, soya beans, linseed, and sunflower seeds. Turkey's major imported processed food items are cheese, butter, vegetable oils, coffee, tea, rice, and sugar.

Canadian suppliers have been able to gain market share in Turkey as Canadian companies have offered competitive prices and tailor goods to local requirements. Canadian exporters must be considerate of special halal requirements for the Muslim population on many agri-food exports such as beef and prepared food products.

Additional opportunities exist due to a general lack of technological development in the Turkish food processing industry. The Turkish government has responded by placing special emphasis on development of the food processing industry. Measures have been initiated to stimulate investment and technology transfer in this sector. As a result Turkey offers an attractive and profitable investment opportunity in food processing technology for foreign investors.

Canada is Turkey's 11th largest foreign investor with US$452 million invested cumulatively up to 2001. Key investment areas are forest products, telecommunications, agro-industrial production, engineering products, and marketing. As the tourism sector continues to grow there are also increasing opportunities for Canadian investment in restaurant and hospitality services.

For more information on Canada - Turkey relations Market Prospect.

Investment

The Turkish government views foreign direct investment as vital to the country's economic development and prosperity. Accordingly, Turkey has one of the most liberal investment regimes of the OECD. Almost all sectors open to Turkish investors are also open to foreign investment.

Turkey is participating in the OECD's negotiations on a multilateral agreement on investment (MAI) which when adopted will further liberalize foreign investment regulations.

Foreign direct investment has been steadily increasing since 1996. However, recent investor concern over a swelling domestic debt burden has hurt investment in 2000-2001. These concerns should be calmed by IMF and World Bank lending programs in 2001. The government and Turkey's central bank are confident that recent economic reforms will help bring high interest rates back under control and attract new foreign investment throughout 2001-2002.

The Under-Secretariat of the Treasury screens all foreign investments. Screening mechanisms are routine and non-discriminatory. They have not served as an impediment to serious investment, or competition. Treasury has refused permission for several small investment projects because of security concerns about the individual investors.

Foreign investors are subject to restrictions in certain sectors. Establishment in financial services, including banking and insurance, and in the petroleum sector require special permission from the Turkish government.

For more information on Investment Turkey: Investment Climate.

Market Access

Business opportunities in Turkey are available to Canadians but they require long-term commitment and cooperation with Turkish companies. It is best to gain market share in the agricultural sector by entering into a joint venture with an established Turkish company. The availability of many agricultural products from local sources has led to the success of many foreign firms.

Canadian companies are subject to import tariffs however these tariffs remain mostly unchanged from the 2000 rates. Canadian companies have been able to gain market share in Turkey but should educate themselves of regional difficulties and research the prospective market carefully.

Turkey offers well organized large-scale importer distribution. Many of the distributors use their own truck fleets to reach a middleman or the direct retail point across the country. Canadian exporters of bulk commodities are advised to work through a local agent who will monitor the import requirements for grains and pulses, in view of local supply and production.

For more information on Market Access Trade Regulations and Standards.

Publication Date: 2001-07-01

© Her Majesty the Queen in Right of Canada, 2001